

Comparison of the 457 and 401(k) Plans

Provision	457 Plan	401(k) Plan
Authorization	Internal Revenue Code Section 457	Internal Revenue Code Section 401(k)
Available to State Employees	Yes	Yes
Maximum Annual Deferral	<div> <div>Under age 50:</div> <div> <div>\$14,000 in 2005</div> <div>\$15,000 in 2006</div> <div>\$15,500 in 2007</div> <div>\$15,500 in 2008</div> </div> </div> <div> <div>Age 50+:</div> <div> <div>\$18,000 in 2005</div> <div>\$20,000 in 2006</div> <div>\$20,500 in 2007</div> <div>\$20,500 in 2008</div> </div> </div>	<div> <div>Under age 50:</div> <div> <div>\$14,000 in 2005</div> <div>\$15,000 in 2006</div> <div>\$15,500 in 2007</div> <div>\$15,500 in 2008</div> </div> </div> <div> <div>Age 50+:</div> <div> <div>\$18,000 in 2005</div> <div>\$20,000 in 2006</div> <div>\$20,500 in 2007</div> <div>\$20,500 in 2008</div> </div> </div> <div>Coordinated with 403(b) contributions</div>
Employer Matching Contributions	None	State may match a portion of the employee contribution subject to annual appropriation. Current state match is \$50 per month.
Catch-Up Deferrals Missed During Previous Years	If not using age 50+ ceiling, catch-up is available during the last three calendar years before normal retirement age to a maximum annual contribution of \$31,000 in 2008.	None
Withdrawals Permitted	Retirement, death, termination or approved unforeseeable emergency	Retirement, death, termination, attainment of age 59½, or approved financial hardship caused by certain types of financial needs. Hardship withdrawals may not include earnings after 12/31/88 or employer contributions.
Tax Advantages on Lump-Sum Distributions	None Taxable in year received	Participants born on or before 12/31/35 may be eligible for ten-year forward averaging.
Benefits Must Begin No Later Than	April 1st of the year following the later of age 70½ or retirement	April 1st of the year following the later of age 70½ or retirement

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Tax Penalties	No 10% penalty tax for distributions of 457 money made prior to age 59½. 50% excise tax applies if minimum required distributions are not taken.	10% federal penalty tax may apply to distributions made prior to age 59½. 50% excise tax applies if minimum required distributions are not taken.
Transfers/Rollovers Out of the Plan	Funds may be transferred or rolled over into another governmental 457 plan, a 401(a) plan, a 401(k) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Funds may also be transferred to TCRS for purchasing prior service.	Funds may be transferred or rolled over into another 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or to an IRA once you have met the eligibility requirements for withdrawal. Funds may also be transferred to TCRS for purchasing prior service.
Loan Provisions	None	Active employees who have accumulated \$4,000 in the plan may borrow up to half of their account balance. Refer to Loan Brochure for details.
Ownership of Assets Prior to Withdrawal	Trust established for the benefit of the participants	Trust established for the benefit of the participants
Deferral Amounts coordinated with other Retirement Plans	If an employee is eligible to contribute to a 401(k) and in addition a 457 plan then that employee may contribute the maximum amount to both plans for a total contribution of \$31,000 in 2008.	The 401(k) and 403(b) plans share a single limit for total aggregate contributions of \$15,500 in 2008.
More information at www.treasury.state.tn.us/dc	Yes	Yes

Note: Statements regarding federal income tax requirements and plan rules are based upon the State of Tennessee's current understanding of the law and are subject to change as a result of subsequent amendments, regulations and interpretations. Participants are urged to consult their own tax advisors for advice concerning their particular circumstances.

The above is only a brief discussion of applicable tax requirements. Specific limitations and requirements are stated in detail in the Plan Documents and the Internal Revenue Code and regulations.

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